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REPORT OF ROBERT CASSELS, ESQ., CASHIER.

TO

The Shareholders of the Bank of Upper Canada,

AT THEIR

THIRTY-EIGHTH ANNUAL GENERAL MEETING, HELD 25TH JUNE, 1861.

In reporting at this time on the position and prospects of the Bank, it has been considered desirable to give a full and detailed statement of its affairs, in order that the Shareholders and public generally, may be enabled to judge of its real condition. The serious depression which has existed for several years past in almost every branch of trade, and which has only been partially relieved by the abundant harvest of last year, will in some measure have prepared the Stockholders to expect an unfavorable statement.

Notwithstanding the large sums which have been appropriated from time to time to meet the losses incurred in the course of business, it has been found on a close examination of the affairs of the Bank, that a much larger amount is required for this purpose than could under ordinary circumstances have been deemed necessary. It appeared to me the only sound policy was to face the difficulty, and by a full and clear statement, place the Stockholders in a position to judge of the actual state of an institution in whose welfare they are so deeply interested.

For this purpose, on assuming the management of the Bank, I immediately commenced a thorough investigation into its affairs. In this arduous and anxious task I have received the cordial support of the President and Directors, and my labour has been greatly lessened by the assistance received from James Browne, Esq., the Inspector, and other officers of the Bank.

To enable the Shareholders fully to understand the statements I have now the honor to submit, I have found it necessary to start from a date so long ago as the 30th of June, 1859, giving details of the reserve, contingent, and loss accounts, from that period up to the present time.

Hopelessly bad debts have been charged to Loss Account, and full statements prepared at the Head Office and Branches, of all past due bills and over due debts. These lists have been reported on by the Managers and Solicitors of the branches, and carefully examined by the Inspector and myself, and also by a committee named by the Board.

I believe these estimates have been made with strict impartiality, my earnest desire being now, and on all future occasions, fully and frankly to place in your hands a true and reliable exposition of the affairs entrusted to my care.

The balance at credit of Reserve Fund, 30th June, 1859, was		$156,393 75
" " Contingent Fund, 30th June, 1859, was		400,000 00
		$556,393 75
To which add—		
Balance of net profits to 31st Dec., 1859	$41,445 84	
" " 30th June, 1860	9,812 84	
" " 31st Dec., 1860	25,190 24	
Profits to 31st May, 1861	106,386 80	
		182,835 75
		$739,229 47

From which deduct—

Bad debts written off in 1859	$8961 75	
" " 1860	146,140 54	
76th Dividend, payable January, 1861	94,141 85	
Bad debts written off to 30th April, 1861	148,941 29	
Expenses, Interest, Loss on Exchange, Tax on Circulation, &c., to 31st May, 1861	180,753 55	
Balance carried to credit of loss account	168,290 99	
		739,229 47

LOSS ACCOUNT.

The following sums charged to this account being irrecoverable and hopelessly bad, viz.:—

At Head Office	$524,954 11	
" Quebec Branch	99,841 35	
" Montreal "	8,978 50	
" Kingston "	3,561 80	
" Port Hope "	10,511 65	
" Brockville "	1,468 71	
" Ottawa "	742 80	
" Belleville "	294 43	
" Barrie "	895 30	
" Barrie " old account	494 52	
" Lindsay "	3,701 05	
" Hamilton "	28,273 77	
" London "	13,645 88	
" Chatham "	35,025 81	
" Stratford "	1,053 14	
" Goderich "	434 65	
" Clifton "	637 36	
" Berlin "	1,174 52	
" Brantford "	15,482 47	
" Windsor "	5,228 47	
" Niagara "	1,026 22	
" Southampton "	1,402 00	
		$758,808 51

To which add appropriation made for the estimated losses on past due bills and other debts—

At Head Office	$245,880 00	
" Port Hope Branch	4,640 00	
" Brockville "	67,000 00	
" Lindsay, "	2,350 00	
" Kingston "	2,170 00	
" Chatham "	95,900 00	
" London "	60,000 00	
" Sarnia "	5,550 00	
" Windsor "	700 00	
" Stratford "	800 00	
" St. Catharines "	84,420 00	
" Hamilton "	15,100 00	
" Picton "	7,400 00	
" Clifton "	50,500 00	
" Quebec "	17,580 00	
		659,990 00
		1,418,798 51

From which deduct

Balance from Reserve and Contingent Funds	168,290 99
Leaving to be provided for a balance of	$1,250,507 52

The heavy losses incurred at Brockville, Chatham, Quebec, and St. Catharines, were made several years ago by persons not now in the service of the Bank, and are of course not attributable to the present Managers of these Branches.

Before entering on the question as to the best mode of meeting this deficiency, I shall briefly allude to several accounts of considerable magnitude, which, from time to time, have been the subject of discussion at the Annual Meetings of the Bank.

The Morton debt at the Kingston Branch has been reduced to about $290,000. The assets held as collateral security for payment of principal and interest, have been valued by Mr. Hinds, the Manager, and by Mr. Kirkpatrick, the Solicitor of the Bank, and also by other competent disinterested parties, as worth $355,000; thus leaving a sufficiently large margin for unforeseen contingencies.

The Zimmerman debt proper is $340,000, secured by lands, real estate, mortgages, and other property, which at a fair and moderate valuation amount to $475,000, showing a probable surplus of $135,000.

It is right, however, to mention, that there is another sum of $256,000 due by the Zimmerman Bank not included in the above. This debt was caused by the transfer of the government deposit in that Bank, and the circumstances connected with it are, in my opinion, and in that of the Board, sufficient to constitute a strong claim for the consideration of the Provincial Government, and which will hereafter be submitted in due form.

The advances made to the Grand Trunk Railway Company, amounting to $883,000, have been secured by attachment obtained against the property of the Company in the State of Maine, worth nearly the amount of the debt.

I therefore feel confident from this fact, and circumstances to which it is unnecessary to allude, that the debt will be speedily arranged to the satisfaction of the Bank.

The foregoing statements will, I trust, satisfy the public mind as to the perfect solvency of the Bank, and for the future prevent those attacks in the public papers which have been so injurious, not only to this Institution, but to the other banking establishments of Canada. Editors of papers, and especially those of the rising commercial Metropolis of the Province, should remember, that all classes of the community are deeply interested in the welfare and prosperity of the monetary institutions of the country, and in none more than in the Bank of Upper Canada, which has, for a period of nearly forty years, aided so largely in developing the industrial and agricultural interests of this great Province.

The subscribed capital of the Bank consists of 63,722 shares of $50 each, amounting to $3,186,100.

It will be at once apparent that the only course which can with propriety be adopted to meet the deficiency ascertained, is to reduce the capital of the Bank. This course was adopted with success some years ago by two Banks in Canada, both now holding deservedly high financial positions. I would therefore recommend the Stockholders to authorise the Board of Directors to apply to the Provincial Parliament at the next Session, for power to reduce the shares from $50 to $30 each, retaining the right at same time, again to raise them to their present value, when the Bank shall be in a position to do so. This reduction would place at the disposal of the Board the sum of $1,274,440, thus covering the deficiency, and leaving the sum of $23,932.48 at credit of Reserve Fund. The available capital of the Bank would then amount to nearly $2,000,000.

Application should at same time be made to Parliament for power to increase the capital again to its present limit of $4,000,000, obtaining the right to issue new shares to present stockholders first, as preference stock, in such sums and at such times, as the Board shall deem expedient; such preference stock to be first entitled to a dividend, out of the profits of the Bank, at a rate not exceeding 8 per cent. per annum, to continue at this rate until the Directors are enabled to declare a similar dividend on the whole capital of the Bank.

By this means the capital would be raised, and the Bank be again enabled to afford ample facilities to the mercantile, manufacturing, and agricultural interests of the Province.

There are two items which have not yet been alluded to, viz.: interest on over-due debts, and loss of notes in circulation.

Of the former, a large amount is still due and may ultimately be recovered. Of the latter, only £10,000 has been written off since the establishment of the Bank in 1822, and the actual gain can only be ascertained some years hence, after the old circulation shall have been withdrawn. That a considerable sum will be obtained from this source I have no doubt, considering the large and extended sphere of the Bank's operations.

I cannot close this report, without expressing to the Stockholders, the high sense I entertain of the confidence manifested by the Hon. A. T. Galt, the able Minister of Finance, and the other members of Her Majesty's Executive Council, and the uniform consideration they have shown towards the Bank as the fiscal agent of the Government in this Province. Their enlightened policy, and the liberal course pursued, deserve your gratitude and thanks.

Balance Sheet, 31st May, 1861.

Capital Stock paid up		£790,517 10 0	$3,162,070 00
Circulation		475,483 10 0	1,901,934 00
Deposits not bearing interest		678,093 1 5	2,712,372 28
" bearing interest		818,423 19 7	3,273,695 92
Dividends unclaimed		2,308 10 5	9,234 09
Balances due to other Banks		6,381 13 3	25,526 61
		£2,771,208 4 8	$11,084,832 93
Specie in the vaults		£141,144 16 4	$564,579 27
Notes and Cheques of other Banks		51,207 0 5	204,828 08
Balances due by other Banks		150,566 0 7	602,264 11
Government Debentures		78,585 0 0	314,340 00
Municipal and other Debentures		72,377 13 4	289,510 66
Bank premises at Toronto and Branches		49,066 17 11	196,267 58
Real Estate and Mortgages		124,475 3 5	497,900 69
Notes and Bills discounted		1,379,503 19 0	5,518,015 80
Other debts due to the Bank not included under the foregoing heads, viz. :—			
Cash credits, and due by depositors at Head Office and Branches	$163,695 51		
Estate of late S. Zimmerman	341,534 49		
Debts secured by Mortgages on Real Estate and other securities	1,141,389 22	411,654 16 1	1,646,619 22
Loss account		312,626 17 7	1,250,507 52
		£2,771,208 4 8	$11,084,832 93

BANK OF UPPER CANADA.

Toronto, 31st May, 1861.

ROBERT CASSELS,
Cashier.

Report of the Directors of the Bank of Upper Canada,

Presented to the Stockholders at their Annual Meeting on Tuesday, 25th June, 1861.

The Directors in meeting the Proprietors at this time, beg to refer to the full information given in the Report of the Cashier, addressed to them at request of the Board, which has just been read. The details contained therein render it unnecessary for them to enter as fully as usual into the affairs of the Bank; they, however, deem it proper to allude to several items.

The losses at the Head Office appear large, but the Directors would state, that the amount has been greatly augmented by the addition from time to time of interest added to the principal sums, not only at Toronto, but also at the Branches, the loans until recently having been considered good.

With reference to the debt due by the Grand Trunk Railway Company they would remark, that the amount now due the Bank by that Company is a balance of transactions running over a period of years, amounting to several millions of pounds, and always, until recently, of a highly satisfactory character. From the information the Directors have received they are of opinion that this debt and interest is secure, and will be recovered within a reasonable time. When that is accomplished, and other assets of the Bank, consisting of real estate, mortgages, debentures, &c., are realised, they have every confidence that the future career of the Bank will be prosperous.

The Directors would call the attention of the Shareholders to the recommendation contained in the Cashier's Report, with reference to reduction of Stock and the issue of New Preference Shares, and would recommend that the same be adopted by the Shareholders as the best means of placing the Bank at an early period in a strong position.

Before concluding their Report, the Directors would beg to submit to the Shareholders the claims of the late Cashier, T. G. Ridout, Esq. The Proprietors are doubtless aware, that on the appointment of the present Cashier, Mr. Ridout retired from the Bank after a service of nearly forty years, and in now leaving this matter in the hands of the Shareholders the Directors are persuaded that due consideration will be given to Mr. Ridout's long services and advanced age.

All which is respectfully submitted.

E. H. RUTHERFORD,
Vice-President.